

ARTICLE APPEARED
ON PAGE A-15

PHILADELPHIA INQUIRER
28 November 1986

SHAKE-UP AT THE WHITE HOUSE

CIA reportedly turned a blind eye to contra supply line

By Doyle McManus
and Michael Wines
Los Angeles Times

WASHINGTON — The CIA detected evidence of the secret network that funneled profits from Iranian arms sales as supplies to Nicaraguan contra rebels, but it did not fully investigate the pipeline, administration officials have said.

The CIA was restrained from pursuing the issue because to do so would have violated federal restrictions against probing the activities of U.S. citizens and because there was little enthusiasm within the agency for investigating a private aid effort that President Reagan had openly encouraged, the officials said.

"Everybody knew something was going on at Ilopango," the Salvadoran air base from which the contras' supply system operated, one knowledgeable official said. "But nobody wanted to find out what it was."

That account did not square with a statement Tuesday by Attorney General Edwin Meese 3d, who indicated that the CIA was unaware that money skimmed from the arms sales to Iran was being used to buy supplies for the contras. "To the best of our knowledge, no one in the CIA knew about it," Meese said.

The CIA did act as an agent in transferring U.S. weapons to Iran and in receiving payment for the arms shipments this year, Meese said Tuesday. Other officials have said the CIA helped arrange transportation for some of the shipments from the United States through Israel to Iran.

The CIA also participated in a secret shipment of U.S. arms to Iran in November 1985, two months before Reagan formally approved any weapons sales to the Tehran regime, the officials said.

But the agency apparently did not have any role in the first U.S.-sponsored shipment of weapons to Tehran in August 1985, they said. That shipment has become a focus of inquiries because Meese has been unable to find who authorized it, while Israel's government insists that the administration approved it.

CIA officials have told the Senate Intelligence Committee that the agency shipped Hawk antiaircraft missiles and TOW antitank missiles

from Israel to Iran in November 1985, but they have contended that the agency did not know at the time that the shipment included weapons, several sources said.

"They were under the understanding at the time that it was not arms being shipped, it was oil-drilling parts," said Sen. David Durenberger (R., Minn.), chairman of the intelligence committee.

Iran's petroleum production is critical to its economy, and the CIA thought oil-drilling equipment was a permissible form of indirect aid, according to the officials' account.

Officials said that part of the shipment was pulled back by the CIA and that the weapons were later returned to Israel instead of being forwarded to Iran. On Tuesday, Meese indicated that the shipment was authorized by someone on the White House staff, but added that the President did not know about the action until about three months later.

In Central America, the CIA learned about the contras' new weapons and airplanes by monitoring the rebels' operations in El Salvador and Honduras, the officials said. The new supply operation, which officials said was organized by retired Air Force Lt. Gen. Richard V. Secord, began supplying the contras with cargo planes and crews in 1985 and expanded quickly in 1986.

The CIA did order its operatives in Central America to keep an eye on the contras' new supply line, knowledgeable sources said, but warned them to observe the legal prohibition against agency surveillance of Americans abroad.

"They have been very careful, not only not to get involved, but also not to go out monitoring the activities of U.S. citizens," one senior administration official said. "They're not supposed to track U.S. citizens."

"The CIA was not specifically ordered to stay away" from examining the supply operation, another official said.

But the agency's inquiries apparently failed to lead to the source of the funds: the Iranian arms deals in which another branch of the CIA was involved, the officials said.

Contra leaders and U.S. officials also said that, contrary to Meese's account, the rebels received only supplies from the secret operation, not cash.

On Tuesday, Meese said the money skimmed from the arms sales — estimated at \$10 million to \$30 million — had gone into Swiss bank accounts "under the control of [contra] representatives."

But a senior administration official involved in the contra program said Wednesday: "As far as we know, they certainly weren't getting the money. They were receiving supplies."

The three top contra leaders, at a news conference in Miami, yesterday hotly denied Meese's version.

"It's wrong," said Adolfo Calero, leader of the Nicaraguan Democratic Force, the largest contra faction.

"We have never had access to a Swiss bank account," said Alfonso Robelo, another rebel leader.

But Calero did acknowledge that funds from an unknown source paid for air supply drops made to the contras during the last several months.

"I do not know, however, where the money came from to pay for those services," he said. "I refer especially to the air drops."

Asked if money from the Iran arms deal could have paid for the supply flights, he said: "Well, I do not speculate."

But other contra sources have said their supply operation was funded by the Swiss bank accounts that they helped set up as part of the arms deal. The contra sources said Calero did know that the operation was run by Secord using funds from donors in the Middle East, including Saudi Arabia.

Sources in Israel and the United States have said that some of the money in the Iran arms deal came from Adnan Khashoggi, a Saudi billionaire. Saudi Arabia yesterday denied the allegation.

Asked if the supply operation could have cost as much as \$10 million, Calero said, "I don't think so. I doubt it." He said he believed that the supply flights occurred in 1986.

He said the supply operation ended in October, when Nicaraguan troops shot down a C-123 cargo plane ferrying materiel to the contras. Three crewmen were killed and a fourth, American Eugene Hasenfus, was captured.